

GLOBAL MARKET SQUARE



Global Markets Gain Momentum, Charles Schwab Net Income Rises 76%, Beating Estimates, Wall Street Surges as Earnings Season Drives Optimism.

January 21, 2025

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The US and European stock markets opened the week with substantial gains after the S&P 500 surged nearly 3% last week, the momentum continues as Wall Street closed higher with all indexes rising between 0.64% to 1.24%, and Asian equities mostly closed higher overnight.

We highlight the YTD returns of the five indexes we follow ranked from best to worst:

- **Birling Capital US Bank Index** has a return of **9.48%**.
- **Dow Jones** has a return of **3.48%**.
- **S&P 500** has a return of **2.85%**.
- **Birling PR Stock Index** has a return of **2.68%**.
- **Nasdaq Composite** has a return of **2.31%**.

In currency markets, the US Dollar Index (DXY) is down roughly 0.9%, following reports that former President Donald Trump will hold off on imposing broad tariffs immediately. However, he signaled that targeted tariffs on Canada and Mexico could take effect as soon as February 1.

Meanwhile, bond yields have edged lower, with the 10-year Treasury yield closing at 4.57%, down from its peak of approximately 4.79% early last week.

Earnings Season in Full Swing

Corporate earnings remain a key focus this week, with over 30 S&P 500 companies set to report results. Charles Schwab and Netflix are among the highlights. Schwab reported revenues that rose 20% before the market opened, and Netflix reports after the market closes today. Last week, the Top Six US banks kicked off the fourth-quarter earnings season with broadly positive results. Today, Charles Schwab exceeded expectations, beating fourth-quarter estimates by roughly 10%, adding to the strong momentum in the financial sector.

With approximately 10% of S&P 500 companies having reported earnings, fourth-quarter profits are on track to grow by about 11% annually. If realized, this would contribute to a projected 9% increase in earnings for 2024, marking the strongest annual growth since 2021. Encouragingly, forecasts for 2025 suggest further acceleration, with profit growth estimated at approximately 15%.

We view the broad-based earnings momentum as a strong foundation for market leadership in 2025, benefiting both growth- and value-oriented sectors. As part of our portfolio strategy, we recommend maintaining a balanced exposure between growth and value stocks to capitalize on this trend.

Bond Yields Retreat Amid Lower Inflation Data

Since the Federal Reserve initiated its first rate cut of the cycle on September 18, the 10-year US Treasury yield has risen approximately 0.9 percentage points. Elevated inflation expectations, strong economic growth, and fiscal policy uncertainties have driven this increase. However, last week's

positive inflation data provided relief, with the 10-year yield easing by 0.2 percentage points from its earlier peak of 4.79%.

December's core consumer price index (CPI) inflation rose just 0.2%, the smallest monthly gain since July, reinforcing a downward trend in inflation. While temporary fluctuations are expected, we anticipate the Federal Reserve will continue easing monetary policy, albeit slower than previously forecast.

Under these conditions, we see limited potential for a significant rise in bond yields from current levels. We recommend investors reduce overweight positions in cash-like investments and reallocate toward intermediate- and longer-term investment-grade bonds, aligning with their broader financial objectives.

Corporate Earnings Parade:

- **Charles Schwab Corp. (SCHW):** reported 4Q24 revenues of \$5,329 billion, up 20%, net income of \$1,840 billion, up 76%, and earnings per share of \$0.94, surpassing estimates. Schwab has a price objective of \$86.25. It closed today at \$80.93, up \$4.52 or 5.92%.
- **For a deeper dive into Charles Schwab View Our Report here:** [SCHW Overview](#)

Key Economic Data:

- **US Retail Gas Price:** fell to \$3.164, down from \$3.168 last week, decreasing -0.13%.
- **Canada Consumer Price Index YoY:** fell to 1.83%, compared to 1.89% last month.
- **Canada Inflation Rate:** fell to 1.83%, compared to 1.89% last month.
- **Canada Consumer Price Index MoM:** rose by 0.25%, compared to 0.12% last month.
- **Canada Core Consumer Price Index MoM:** rose by 0.26%, compared to 0.13% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** fell to 10.30, down from 15.70 last month, down -34.39%.
- **Germany Producer Price Index YoY:** rose to 0.80%, compared to 0.10% last month.

Eurozone Summary:

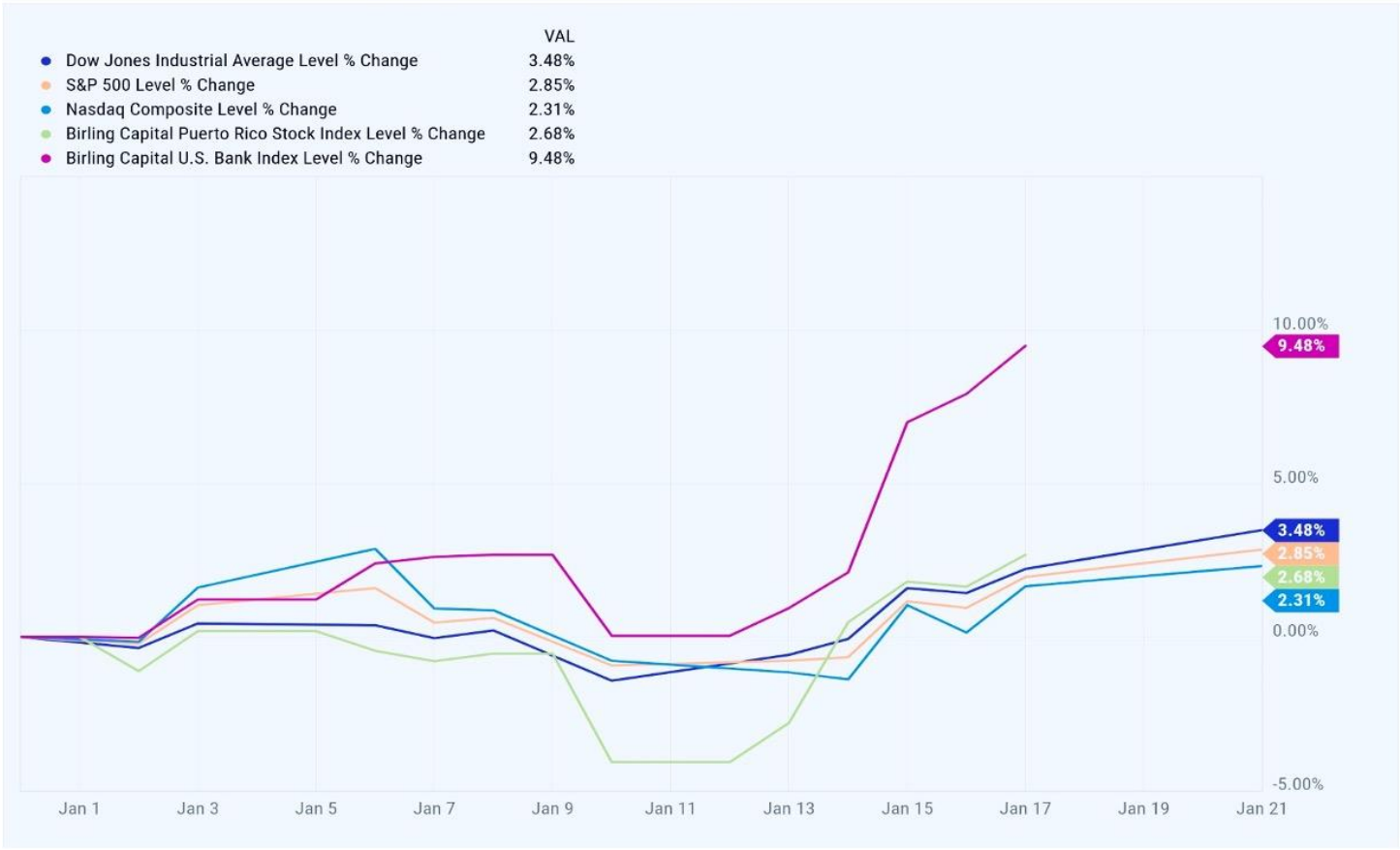
- **Stoxx 600:** Closed at 525.98, up 2.11 points or 0.40%.
- **FTSE 100:** Closed at 8,548.29, up 27.75 points or 0.33%.
- **DAX Index:** Closed at 21,042.00, up 51.69 points or 0.25%.

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 44,025.81, up 537.98 points or 1.24%.
- **S&P 500:** Closed at 6,049.24, up 52.58 points or 0.88%.
- **Nasdaq Composite:** Closed at 19,756.78, up 126.38 points or 1.45%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,735.96, up 37.97 points or 1.63%.
- **Birling Capital US Bank Index:** Closed 6,860.72, up 98.30 points or 1.45%.
- **US Treasury 10-year note:** closed at 4.57%.
- **US Treasury 2-year note:** closed at 4.29%.



Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index & Birling US Bank Index YTD Returns 1.21.25





US Retail Gas Price, Canada CPI, Canada Inflation Rate, ZEW Indicator of Economic Sentiment for Germany & Germany PPI

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● US Retail Gas Price	3.164
● Canada Consumer Price Index YoY	1.83%
● Canada Inflation Rate	1.83%
● ZEW Indicator of Economic Sentiment for Germany	10.30
● Germany Producer Price Index YoY	0.80%





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